

MILLIONS IN MORTGAGES

How the Life Insurance Companies
Invest Their Money.

THE DEPARTMENT RECORDS.

Information for Six Hundred Thousand Policy Holders.

AN ENORMOUS BUSINESS INTEREST.

\$1,238,056,891 Paid for Life Insurance in Twenty-Eight Years.

ONE COMPANY WITHOUT A MORTGAGE

Blocks of Money Loaned on Farms, Country Churches and Turnpikes.

ALBANY, March 1, 1879.

At a recent discussion of life insurance interests in this city the astounding fact was brought out that during the past twenty-eight years the enormous sum of \$1,238,056,891 had been paid by the people to the life insurance companies of this State. During the same period of time there has been paid for death claims the sum of \$608,950,453. Considering that the present assets of these companies are given at \$368,420,591, the amount to be accounted for (\$230,056,457) has been eaten up for expenses and cost of management since 1850. It is no wonder, then, that not only the representatives of the people, but also the 600,000 policy holders interested in the life insurance companies of this State, scot the idea that no one shall inquire into their management. A curious fact in connection with this popular demand for information is that the publication of Assembly document No. 49, being eighty-seven closely printed pages about the affairs of the Knickerbocker and Globe Life Insurance companies, came simultaneously with the Wadsworth resolution calling upon Mr. Smyth to resign the management of the Insurance Department, and added bitterness to the relentless war now made, as it were, from all sides upon the wretched Superintendent.

What officials are directly interested in this insurance business, which in another week all acknowledge will be the most exciting question before the Legislature.

INTERVIEW WITH HAMILTON FISH, JR.

Mr. Hamilton Fish, Jr., who has taken a deep interest in this question, granted me an interview this afternoon, and taking up document No. 49, above alluded to, said, pointing at page 2:

"Here, read this, a report of Mr. Nichols, president of the Knickerbocker Life, to Mr. Smyth, which ought to be a plain, business document, giving the result of appraisals of land owned by the company, and Mr. Nichols alludes to one of the appraisers as Hon. William P. Moore, republican member of the last Assembly. What has 'republican' to do with his business? Again, further on, it reads, you see, 'The Hon. W. W. Rockwell, Senator from the Seventeenth district, has been requested to make these appraisals but has not yet forwarded his report.'

"You have my mind made up, then, Mr. Fish, as to the efficiency of the Insurance Department?" said your correspondent.

"I think Smyth is perfectly incompetent: he does not understand the business of the department."

"Did you not use some strong language on the floor of the House in regard to this business?"

"I said that the Knickerbocker Life is rotten and that the Superintendent knew it."

"Do you expect a change in the management of the department soon?"

"You have heard of the resolution offered a few days ago, and that by a republican, calling upon Smyth to resign. That is a beginning. It has gone over under the rules, but it will come up again in a day or two. There must be a change, and that very soon. The interests are too vast to be intrusted to incompetent hands, and politics should be excluded from that department."

Mr. Fish, in conclusion, admitted that "insurance would be long a burning question at Albany."

INTERVIEW WITH JOHN E. SMYTH.

Thinking that the Superintendent himself might be willing to say a word or two in his own behalf I proceeded to the Insurance Department and saw Mr. Smyth.

"Mr. Superintendent, is it true that you suppressed the Globe report, and if so why did you do so?"

"I have no objection to tell you why Deputy Superintendent McCall's report to me on the Globe Mutual Life Insurance Company was not made public," he answered. "Such reports never have, by me or by my predecessor, Mr. Chapman, been made public. The statute recognizes the report of the Superintendent based, undoubtedly, upon the information which he receives from his subordinates made to him, but the reports of these subordinates should not be made public, as they often contain matters of detail affecting other companies than the one examined. As will publish the report of a detective to his chief officer."

"What is your correct view of the Globe Life?"

"The Globe Mutual Life Insurance Company," said Mr. Smyth, "is solvent, and, I am sure, will remain so if honestly managed, but an indiscreet and heedless revelation of facts in the management of a life insurance company surely tends to the enriching of dishonest managers of it, by terrifying policy holders to such an extent that they do not pay their premiums, causing their policies to be lapsed."

"What about the Knickerbocker now?"

"It was a folly on the part of Mr. Fish, of Putnam, state, in his heedless and ignorant attack on the Knickerbocker Life Insurance Company while on the floor of the Assembly—if he did so state—that the Knickerbocker Life Insurance Company is rotten from top to bottom, and that the Superintendent knew it. The sworn statement of that company for the year ending December 31, 1878, shows that it paid \$500,000 in cash for death losses and matured endowments—a sum probably greater than the total which would be realized from the assets of this company if ruthlessly placed in the hands of a receiver."

"Why did you submit the deputy's report on the Globe, which was made in May or June, to the Attorney General on the 17th of this month?"

"The report itself," answered Mr. Smyth, "tells the story wherein the company, on the 1st of May, was declared to be solvent—namely, by the prompt restoration of a mortgage of \$120,000, the title to which was rejected by the department, but made good by the company, and other details mentioned in said report. This company not having changed its officers, pursuant to promise made to the department by its attorney, the Superintendent again caused a thorough examination of its affairs to be made from the date of report until January of this year. This report shows that the company had increased its surplus over \$75,000—that surplus on the 2d of January standing at \$238,322 27 in place of \$161,117 39. A few days before the 17th of February, in going over with the Attorney General in the Insurance Department some proposed legislation touching life insurance companies, the Attorney General mentioned that there was provision in the law regulating the supervision of banks to interfere in the management of banking associations, and suggested a provision in this anticipated insurance legislation to meet this want. I told him that if I had the power in the Globe Mutual Life Insurance Company to change its officers I certainly would have done so, and I was then informed by the Attorney General that if the subject was brought to his notice he was satisfied there was power given by the law for him to bring about the change of management. A few

days after this conversation the report in question was sent to the Attorney General.

MORTGAGES AS SECURITIES.—"Mr. Superintendent, what kind of securities do the insurance companies deposit with your department?" "The business of the department," answered Mr. Smyth, "is very extensive, and requires steady attention—probably there being more actual work of the department than all the rest of the State departments put together. There are about \$15,000,000 of securities deposited with the trustee of policy holders. Much of this consists of bonds and mortgages, the interest upon which the law says the Superintendent may permit to be collected by solvent companies. When I took charge of the department I found that the entire amount paid to us in respect of the payment of service, no attention was paid to the securities as to whether the interest was paid, the taxes paid or the property insured, while it was discovered that individual companies had drawn in the funds which had been deposited and were in the hands of receivers. Some of books were opened two days after I took possession and an account of each security properly and systematically kept."

ABOUT APPRAISALS.—"Have you always full faith in the truthfulness of the appraisals made by parties who act as your appraisers?"

"I do not believe in *any* appraisers," said Mr. Smyth, "but I have no objection to them, and I am inclined to appraise property, understandingly, situated in every county in this State and within a radius of New York city, embracing portions of New Jersey, Connecticut, &c. Out of the force employed in this office thirteen gentlemen are steadily engaged in this business in different parts of the country, and live on fees issued by companies doing business in this State."

A SLAP BACK AT MR. FISH.

"Does there exist any personal feeling between you and Mr. Hamilton Fish, Jr.?" I asked in conclusion.

"I do not know," he replied, "whether Mr. Fish bears any personal animosity to me or not, but I know that he must, as last winter he was remarkably friendly, and even so late as October of 1878 he gave me a pledge to support him for the office of Speaker, before he accepted the nomination to said office. It may be that because I declined to make such a pledge, and supported so far as I could, the force of the opposition, with great glee, that this has annoyed him. It is to be hoped not, however, although any person who made such a childish proposal might become equally silly should another occasion offer."

THE COUNTRY OF THE EAST.—"These interviews present the two sides of the question as it stands between Mr. Smyth and his opponents. But the question as to the method of making loans by the companies is one of greater importance than the point of time when now to turn to the trust of the members. The desire to insure provides for their families in case of death is universal and but natural, and hence the boundless success which has attended this insurance business. The magnitude of this business, however, makes it difficult to superintend over it, and for that purpose the Insurance Department, which executes that law, becomes one of the most important branches of the State government. It guards in fact more directly the interests of the middle classes, its present and future widows and orphans, than any other part of the State machinery."

INQUISTIVE POLICY HOLDERS.—"In the past, when men were living in flush times, the most popular expenditure was the purchase of a carriage, and the most popular hobby was to-day every cent deposited by the hard working policy holder for the welfare of his family is taken from his earnings. What is done with all that money is a question which he has a right to know. It is further to him a question of expense, and it is forthwith by the companies containing the 'annual statements.' But these statements are naturally condensed, as persons they must be from the very nature of the investments made by the insurance companies. The companies are not in the position of giving a detailed account of the amount and where the amounts of various kinds of securities held are, showing the amount of total bonds and mortgages. But of late the inquisitive policy holder has shown a desire to be informed exactly as to the nature of these investments, real estate, so that they can judge for themselves whether the money they have been judiciously invested."

Of course this information is not comeatable by the ordinary policy holder, and hence your correspondent applies to the Superintendent of the insurance department for the information you have data bearing on this important subject. Mr. Smyth courteously placed the necessary documents, books and records of the department ready for my inspection, and the result is that your reader, for the first time in the history of life insurance, will be able to get a clear and exact picture of how the companies are managing their affairs. The following schedule, which gives the amount of ground held by the companies, and the amount of bonds and securities held by the companies, also, the grand total of bonds and mortgages. But of late the inquisitive policy holder has shown a desire to be informed exactly as to the nature of these investments, real estate, so that they can judge for themselves whether the money they have been judiciously invested."

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